

Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AGR-01 CEA-01 COME-00 EB-08 FRB-03 INT-05 LAB-04
CTME-00 AID-05 STR-07 ITC-01 TRSE-00 SOE-02
OMB-01 DOE-15 OPIC-03 SIL-01 XMB-02 /125 W
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8851

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 12531

FROM THE AMBASSADOR

E.O. 11652: GDS
TAGS: PGOV, UK
SUBJECT: PARLIAMENTARY RETROSPECT

1. PARLIAMENT HAS RISEN. MPS HAVE RUSHED FROM TOWN FOR THE HOLIDAYS AND LONDON IS SUDDENLY CRUISING AT HALF-SPEED. STILL, THERE IS A TENSENESS OF ANTICIPATION THAT A GENERAL ELECTION CANNOT BE MORE THAN A FEW WEEKS AWAY. ONLY THE BELEAGUERED STAND-BYS WAITING FOR LAKERDAMPEN THE ATMOSPHERE.

2. WHAT SCORE, WHAT GRADE DO WE GIVE JIM CALLAGHAN AND HIS GOVERNMENT FOR LAST SESSION'S PERFORMANCE? WHAT SORT OF STAGE DOES THE SESSION SET FOR THE FORTH-COMING ELECTION?

3. THE ANSWER TO THE FIRST IS A VERY HIGH SCORE, ESPECIALLY IF ONE GRADES IT BY THE EXPECTATIONS OF A YEAR AGO. WAGES HAVE BEEN RESTRAINED BEYOND HOPES. IN ADDITION TO THE POLITICAL SELF-INTEREST OF THE TUC IN SUPPORTING "THEIR" GOVERNMENT, CALLAGHAN BIT THE
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BULLET TWICE. FIRST, RHETORICALLY AT LAST FALL'S TUC CONFERENCE. SECOND, AND MORE DRAMATICALLY, BY BREAKING THE FIREMEN'S STRIKE WITH THE ARMY. THE PRIME MINISTER CAME ACROSS AS A MAN WHO CAN HANDLE THE UNIONS.

4. IN BUDGET AND FINANCE DENNIS HEALEY DID NOT UNCORK PUBLIC EXPENDITURES AND DID ACHIEVE MODEST

TAX STRUCTURE AND RATE RELIEF. NORTH SEA OIL AND THE DOLLAR'S DECLINE BUTTRESSED THE POUND. BY A COMBINATION OF BOTH WAGE RESTRAINT AND FISCAL MEASURES THE RATE OF INFLATION WAS CUT IN HALF. REAL TAKEHOME PURCHASING POWER INCREASED IN ALMOST ALL SECTORS.

5. CALLAGHAN'S OWN INITIATIVES IN THE EARLY SPRING HELPED TO PREVENT THE BONN SUMMIT FROM ENDING IN SHAMBLES; OR AT LEAST HE CAPITALIZED ON A LATENT AWARENESS ON THE PART OF ALL PARTIES OF THE COMMON DISASTER WHICH WOULD BEFALL IF THERE WERE NO CREDIBLE COMMITMENTS. AT THE SAME TIME BRITAIN PROBABLY COMMITTED LESS THAN ANYONE ELSE AT THE SUMMIT.

6. BRITAIN JOINED THE REST OF THE NATO PARTNERS IN THE THREE PERCENT COMMITMENT TO REAL VALUE INCREASE IN DEFENSE EXPENDITURE; AND THIS WAS DONE WITH MINIMUM OUTCRY FROM LABOR'S LEFT WING. THE ZIGS AND ZAGS OF AMERICAN NEUTRON BOMB POLICY WERE ACCOMMODATED WITH ONLY SLIGHT PUBLIC CONTROVERSY OR RESENTMENT. SALT, CTB AND MBFR DID NOT UNDULY STRAIN THE ALLIANCE, NOR DID THEY BECOME DOMESTIC POLITICAL ISSUES IN BRITAIN. EVEN NUCLEAR POWER AND PROLIFERATION--DESPITE BASIC CLEAVAGES OF INTEREST AND ATTITUDE BETWEEN THE U.S. AND UK AND DESPITE POPULAR ENVIRONMENTAL SENSITIVITIES--DID NOT BECOME A MATTER OF NOTORIOUS EXTERNAL CONTENTION OR SERIOUS DOMESTIC DIVISIVENESS.
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7. ALTHOUGH RHODESIA IS A MATTER OF GENERAL AND IN SOME QUARTERS DEEPLY FELT ANGUISH, IT HAS NOT BECOME AN ISSUE OF PARTISAN CONFRONTATION ON ACTUAL POLICY, BUT THERE ARE SIGNS THAT BIPARTISANSHIP IS WEARING THIN.

8. IN SHORT, THINGS HAVE BEEN EXTRAORDINARILY WELL AND SKILLFULLY MANAGED. ALTHOUGH THE PATH HAS BEEN ROUGH, VERY FEW APPLES HAVE ROLLED OFF THE CART. IN LARGE PART PERHAPS THIS HAS BEEN THE SKILLFUL AVOIDANCE OF ISSUES; BUT WHEN THE SITUATION REQUIRED, THERE HAS BEEN BOLDNESS, AS IN PAY POLICY; INITIATIVE, AS IN THE RUN UP TO THE SUMMIT; AND A WILLINGNESS TO CALL OTHERS' BLUFF, AS IN THE LAST MINUTE DECISION TO MAKE THE ATTEMPTED CENSURE OF HEALEY INTO A VOTE OF CONFIDENCE.

9. THE AREA WHERE THIS SKILLFUL MANAGEMENT HAS PERHAPS DONE MOST DAMAGE IS IN BRITAIN'S RELATIONSHIP TO THE EC. BY GENERAL STATEMENT BOTH THE PRIME MINISTER AND THE FOREIGN SECRETARY HAVE MOLLIFIED THE ANTI-MARKETEERS IN THEIR OWN PARTY BY ANTI-EUROPEAN OVERTONES. BY OBDURATE BARGAINING AND OCCASIONAL

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 12531

CHAUVINISTIC FOOT STAMPING ON FISHERIES, MILK, AND
AGRICULTURE H.M.G. HAS IN FACT AND IN APPEARANCE BEEN
AN UNCOOPERATIVE MARKET MEMBER. THIS BEHAVIOR
REFLECTS A PUBLIC MOOD AS WELL, WHERE DISTRUST OF
THE EUROPEAN COMMITMENT PERSISTS, AND CALLAGHAN IS
SEEN AT HOME AS TENACIOUSLY PROTECTING BRITISH INTERESTS
AND NOT EASILY TO BE DUPED. OFFICIAL AND POLITICAL
OPINION SEEMS DIVIDED ON THE EXTENT TO WHICH BRITAIN
SHOULD BE COOPERATIVE ON THE BREMEN INITIATIVE.

10. FINALLY, BRITAIN HAS BEEN INCREASINGLY PROTECTION-
IST. FOR THE MOST PART THIS HAS TAKEN THE FORM OF IN-
DIRECT PROTECTIONISM ON PROCUREMENT, SUBSIDY, AND
EXPORT CREDIT. IN MORE GENERAL TERMS THE SECRETARY
OF STATE FOR TRADE, THE FOREIGN SECRETARY AND THE
PRIME MINISTER ARE INCREASINGLY INSISTENT IN PUBLIC
STATEMENTS THAT PROTECTIONISM WILL BE A NECESSARY
RESORT IF HIGHER LEVELS OF INTERNATIONAL ECONOMIC
GROWTH ARE NOT ACHIEVED. THIS SENTIMENT IS ALSO
DESIGNED TO CATER TO THE TRULY SOCIALIST WING OF THE
PARTY. IT NOW RECEIVES INTELLECTUAL RESPECTABILITY
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FROM THE NEW CAMBRIDGE SCHOOL OF PLANNING ECONOMISTS.

11. WHAT KIND OF BACKDROP DOES THIS RECORD PROVIDE FOR A FALL ELECTION?

12. ON PAY POLICY AND UNION RELATIONSHIPS I THINK THAT CALLAGHAN HAS SIGNIFICANTLY STRENGTHENED HIS CLAIM THAT LABOUR HAS A GREAT ADVANTAGE IN NOT ONLY PREVENTING LABOR DISRUPTION BUT ALSO IN SECURING UNION RESPONSIBILITY ON WAGE LEVELS. ON PUBLIC EXPENDITURE THE HEALEY RECORD HAS BEEN SUFFICIENTLY DISCIPLINED SO THAT IT WILL BE DIFFICULT FOR THE TORIES TO PIN THE SPENDTHRIFT LABEL ON LABOR WITHOUT PROPOSING DRASTIC CUTS IN PUBLIC SERVICES. ON TAX POLICY I THINK THAT HEALEY MISSED THE BOAT IN NOT RAISING THE THRESHOLD HIGHER AND MODIFYING THE MARGINAL TAX RATE TO ENCOURAGE MIDDLE MANAGEMENT AND RISK TAKING. TORIES WILL PROBABLY HAVE A RHETORICALLY CONVINCING CASE ON TAX POLICY; ALTHOUGH IT HAS BEEN SLIGHTLY CHIPPED AT IF NOT BLUNTED BY THE MODEST HEALEY REFORMS.

13. I WOULD NOT EXPECT DEFENSE OR FOREIGN POLICY ISSUES TO PLAY A SIGNIFICANT ROLE IN THE OUTCOME OF AN ELECTION; EVEN THOUGH THE RHETORIC MAY BE QUITE HOT ON APPEASEMENT OF THE SOVIETS AND APPEASEMENT OF THE GUERRILLAS IN SOUTHERN AFRICA.

14. IN SHORT I THINK THAT WHAT HAS IN A SENSE BEEN A DO-NOTHING PARLIAMENT HAS DULLED THE CONSERVATIVE CLAIM THAT LABOR IS HELD BENT TO THROTTLE THE SOCIETY WITH LEGISLATION. IN FACT, THE PREOCCUPATION WITH DEVOLUTION BILLS WHICH DID NOT EXCITE WIDE OR DEEP PUBLIC INTEREST MAY HAVE HELPED TO KEEP DOMESTIC CONTROVERSY OFF THE PARLIAMENTARY AGENDA. OPERATING

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ON THE SHOESTRING OF A MINORITY POSITION AND DEPENDENT ON THE FEW VOTES OF AN OFTEN CAPRICIOUS LIBERAL PARTY, CALLAGHAN HAS DONE MORE THAN SIMPLY SURVIVE. HE HAS DISTANCED HIMSELF FROM HIS PREDECESSOR AND DEMONSTRATED ROOM FOR MANEUVER AND LEADERSHIP WHICH THE POLITICAL FACTS WOULD SEEM TO BELIE. THE PUBLIC IMAGE IS OF A MAN WITH A PURPOSE AND WITH THE CAPACITY TO ACHIEVE IT. SO, AS THE GOVERNMENT BIDS THE HOUSE A HEARTFELT GOODBYE, I THINK THEY CAN FEEL THAT THE SESSION HAS HELPED THEM; NOT BECAUSE OF WHAT THE SESSION DID, BUT BECAUSE OF POLITICAL-ECONOMIC CIRCUMSTANCES AND INITIATIVES FOR THE MOST PART OUTSIDE THE LEGISLATIVE PROCESS.

BREWSTER

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